

*British Columbia Power
Corporation, Limited*
ANNUAL REPORT
1945

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The choice of paper for the cover of this report, simulating plywood, is in tribute to the forest products industry, which is the backbone of B. C.'s economy.

V 1945

THE BOARD OF DIRECTORS OF BRITISH COLUMBIA POWER CORPORATION, LIMITED, PRESENTS ITS REPORT FOR THE YEAR 1945 FOR THE INFORMATION OF SHAREHOLDERS, EMPLOYEES, CUSTOMERS



AND THE COMMUNITY WHICH HAS ENTRUSTED TO FREE ENTERPRISE THE RESPONSIBILITY FOR CARRYING ON THESE ESSENTIAL SERVICES UNDER PUBLIC REGULATION

1945

BRITISH COLUMBIA POWER CORPORATION LIMITED



OFFICERS

W. G. MURRIN	-	-	-	-	-	-	-	-	-	President
A. E. GRAUER	-	-	-	-	-	-	-	-	-	Executive Vice-President
E. W. ARNOTT	-	-	-	-	-	-	-	-	-	Vice-President
T. INGLEDOW	-	-	-	-	-	-	-	-	-	Vice-President
W. C. MAINWARING	-	-	-	-	-	-	-	-	-	Vice-President
LORN McLEAN	-	-	-	-	-	-	-	-	-	Vice-President and Treasurer
J. A. BRICE	-	-	-	-	-	-	-	-	-	Secretary
P. W. BROWN	-	-	-	-	-	-	-	-	-	Assistant Secretary

DIRECTORS

G. T. CUNNINGHAM
JOHN DAVIDSON
S. CODIN, Jr.
A. T. GOWARD
A. E. GRAUER
J. H. GUNDY
ANDREW P. HOLT

W. G. MURRIN
A. J. NESBITT
J. W. SPENCER
P. A. THOMSON
J. L. TRUMBULL
MORRIS W. WILSON
J. B. WOODYATT

THE ROYAL BANK OF CANADA	-	-	-	-	-	-	-	Bankers
THE ROYAL TRUST COMPANY	-	-	-	-	-	-	-	Registrar
MONTREAL TRUST COMPANY	-	-	-	-	-	-	-	Transfer Agent
PRICE, WATERHOUSE & CO.	-	-	-	-	-	-	-	Auditors

Head Office of the Corporation, B. C. ELECTRIC BUILDING, 425 Carrall Street, Vancouver, British Columbia, Canada

ANNUAL REPORT

To be submitted at the Annual General Meeting, April 25, 1946

OF THE DIRECTORS OF BRITISH COLUMBIA POWER CORPORATION, LIMITED, FOR THE YEAR ENDING DECEMBER 31, 1945

The discussions by the B. C. municipal and provincial governments on the form of the ownership of the properties and operations of the Company's subsidiaries, referred to in last year's report, came to a head during the autumn of 1945. After receiving a report from W. C. Gilman & Co., Consulting Engineers, on various factors which would be involved in the taking over of the properties of the Companies by the municipalities and the Province, and after holding several meetings, the committee (representing the thirty-one municipalities in which the Companies render service in one form or another) recommended that the proposal be dropped and that no plebiscites be held on the question of whether or not the voters favoured the transfer of the properties and operations to government ownership. The various municipal councils subsequently ratified this recommendation and certain of the municipalities went

further by adding to their resolutions an expression of their desire that the Companies should continue and accelerate their programme for betterment and extension of properties and services; this referred to the programme for the expenditure of roundly \$50,000,000 over a 10-year development period which was announced by the Companies on September 30, 1944.

The Companies are now going ahead actively with this programme and the events described above have cleared the air on the most important issue, namely, the change in the form of ownership which might have interfered with the financing of the programme. Our budget for major projects forming part of the 10-year programme calls for expenditures, subject to the approval of the Public Utilities Commission, of \$16,963,961 for the years 1946 and 1947. It includes the following:

Bridge River Development

Out of the total cost required to bring power into the Lower Mainland from this source by 1949, there will be expended in 1946-47.....	\$3,036,000
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<i>City Substation</i>	1,180,000
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Other major projects in the Electrical Division in all areas—transmission, substations and distribution	5,324,000
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Carburetted Water Gas Plants

Vancouver—Daily capacity 4,500,000 cu. ft.....	550,000
Victoria—“ “ 1,200,000 “	250,000

Greater Vancouver Transit Systems

That portion of cost of conversion and extension budgeted for 1946-47, including substantial numbers of new buses and trolley coaches, new garage facilities and reconstruction of track	3,100,000
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Greater Victoria

Estimated cost of change-over to trolley coach and motor bus. Full change-over budgeted for 1946-47	1,500,000
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SOURCE AND DISPOSITION OF 1945 REVENUES

THE YEAR'S GROSS REVENUES

From sales of electricity, transportation, gas, water and miscellaneous services	\$26,792,376
From interest on temporary investments, etc.....	174,020
	\$26,966,396

or 100%

THE YEAR'S EXPENSES AND APPROPRIATIONS

For Employees:

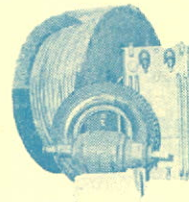
Payrolls (operating only—does not include work on property extensions and replacements)	\$9,753,712
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Pensions—

Payments to pensioners from general funds.....	\$155,660	
Payments to Pension Fund Trustee:		
In respect of services rendered by em-		
ployees during the year.....	526,033	
In respect of past services.....	735,498	
	<u>1,417,191</u>	
		<u>\$11,170,903</u>



or 4%



or 19%

For Materials and Services Purchased.....	5,082,030
A multiplicity of supplies and services for operation and maintenance.	

For Wear and Exhaustion of Property.....	2,906,360
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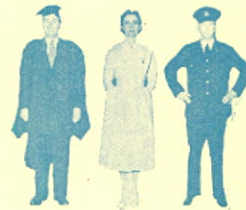
Provision for future retirement of plant and equipment when its useful life has expired, invested in additional property and bonds.



or 1%

Required for Government

Property taxes, water rentals, etc.....	\$1,002,349
<i>Does not include sales tax, gasoline tax, customs duty and excise merged with cost of materials above, nor sales tax on gas and electricity bills collected from customers and paid to the Government.</i>	
Dominion taxes on income (of which \$286,000 is recoverable after the war).....	2,956,500
	3,958,849



or 15%



or 14%

100%

For Return on Capital Invested (Over 30,000 investors)	
Interest and other costs on bonds and debentures.....	1,701,644
Dividends on Preferred Stock.....	621,120
Dividends on common stock.....	1,525,490

Note: Cents omitted for ease in reading.

\$26,966,396

RESULTS OF OPERATIONS

The earnings on the "A" shares were \$1,525,490, a reduction of \$125,069 from 1944. Surplus was drawn on in meeting the dividend for 1945, but your Directors in maintaining the dividend have recognized, amongst other things, that the earn-

Gross Revenues

The gross revenues from operations for the year amounted to \$26,792,377, an increase of \$1,585,305,

ings on the "A" shares as shown take no credit for the recoverable proportion of taxes on income, and, furthermore, that the new tax rates effective from January 1, 1946, will improve the earnings position of the "A" shares.

or 6.29 per cent over the previous year. The various services contributed as follows:

	1944	1945	Percent Change
Electric	\$10,533,385	\$11,500,152	+ 9.18
Railway—Passenger and Freight.....	10,776,412	10,869,934	+ .87
Stages, Taxis and Motor Freight.....	1,222,853	1,653,433	+ 35.21
Gas	2,257,318	2,392,907	+ 6.00
Miscellaneous	417,104	375,951	— 9.87
TOTAL.....	\$25,207,072	\$26,792,377	+ 6.29

1939



1945

Revenue passengers carried on street car and feeder buses:

1939 **PRE-WAR** 72 millions

1945 **VE-VJ** 144 millions

1939



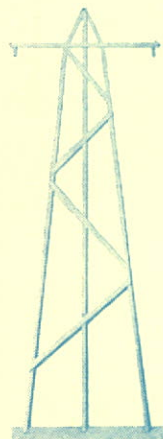
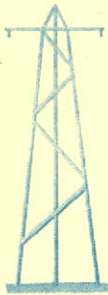
1945

Gas manufactured (cubic feet):

1939 **PRE-WAR** 1,578 millions

1945 **VE-VJ** 2,681 millions

1939



1945

Electric energy generated (kwh.):

1939 **PRE-WAR** 593 millions

1945 **VE-VJ** 922 millions

The corresponding indices of the volume of services rendered are as follows:

	1944	1945	Percent Change
Kilowatt Hours	696,981,097	743,051,415	+ 6.61
Passengers:			
Railway	141,445,964	144,376,774	+ 2.07
Stages and Taxis	2,826,544	3,723,590	+ 31.74
Railway Freight Tonnage	911,091	833,017	- 8.57
Cubic Feet of Gas	2,346,450,000	2,494,695,000	+ 6.32

In the Electric service, the closing down of war industries resulted in a temporary loss of industrial load which has been more than made good by new industrial connections and increased domestic consumption. In the Railway service the revenues were affected by a 10-day strike in January, 1945, referred to in last year's report. The removal of staggered hours of work, while not increasing the volume, increased transit difficulties by shortening and intensifying the traffic peaks, and the abandonment by the government of the Wartime Industrial

Transit Plan increased the volume of travel on our transit facilities. With the relaxation and subsequent complete removal of transit control regulations affecting the operation of motor buses in interurban service, and with the obtaining of additional equipment, stage routes were extended and trips made more frequent. The tonnage of railway freight shows some shrinkage from the previous year resulting largely from resumption of tidewater lumber shipments which had been carried by rail during the war years.

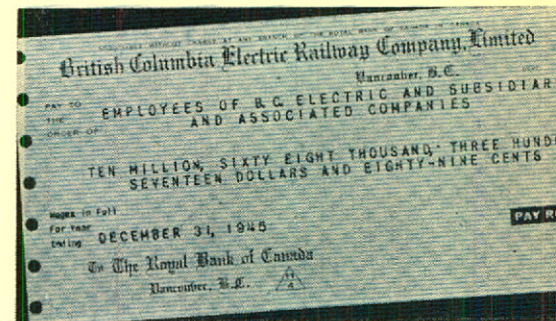
1945



1939



To conduct the greatly increased volume of service over the war years the operating and office staff increased from 3,810 in 1939 (pre-war) to 5,258 in 1945 (war-end).



The payroll has increased from \$5,850,666.68 in 1939 (pre-war) to \$10,068,317.89 in 1945 (war-end). The staff increased 38 per cent, but the payroll rose by 72 per cent.

Rates

For 1945, as for 1944 and 1943, the Public Utilities Commission of British Columbia ordered that electrical energy be supplied, for a period, without charge to domestic users and other specified classes of consumers. For 1945 this free billing period was one month in all areas.

The Companies have had in hand throughout 1945 a study of their rate structures. This study, involving the combined skills of engineers, economists, statisticians and accountants, is of a thoroughness rarely attempted on this continent. It is proceeding but has not yet been completed.

During the year, certain specific rate simplifications and reductions were made.

As of January 1, 1945, the Companies made reductions equivalent to approximately 10 per cent in their residential and commercial electric lighting schedules for the Vancouver Island South and Alberni areas as noted in last year's report.

During the course of the year, also, the Companies developed a simplified extension formula for determining the cost to prospective consumers of obtaining service. The revised formula permits charges to be determined in a moment, and its introduction came happily at a time when materials were becoming somewhat easier, so that, from the combination of these two causes, the number of rural residential and farm customers added during 1945, rose to 2,829 as compared with 2,481 in 1944. The proportion of farms in the Fraser Valley with electric service now approaches 90 per cent. The Companies' previously announced post-war 5-year plan for complete rural coverage will still further accelerate the connecting of the remaining farms; the first instalment of this plan will get under way in 1946.

As of January 1, 1946, the third step in the domestic electric rate schedule for the Lower Mainland area was reduced from one cent to three-quarters of one cent for that portion of the monthly consumption between 230 and 1,230 kilowatt hours. This segment of the household consumption is associated with the use of electric

water heaters and other heavy appliances. It is estimated that the reduction will affect 11,000 present consumers and reduce their bills by an annual total of approximately \$50,000, but the chief purpose of this rate reduction was promotional as it brings the all-electric home within the reach of lower incomes.

Operating Expenses

The total cost of operation amounted to \$23,118,142, an increase of \$1,693,821, or 7.91 per cent over the previous year.

Payrolls of platform men rose in the Railway and Stage operations in harmony with the increased volume of service. Maintenance costs in the Railway operations continued to increase as the equipment and roadbed grew one year older and were put to even more intensive use. (The scale of increase in use of equipment and roadbed is, of course, greater than indicated in the table on page 3, since the comparison in the table is distorted by the 10-day strike in January, 1945). There is the fact also that, as more men became available from the armed services and war plants, it was possible in the latter part of 1945 to substantially increase the maintenance gangs and carry out more work of this character. . . . The cost of coal for use in the manufacture of gas continued to rise as the Companies were increasingly cut off from the Vancouver Island sources of supply and were forced to obtain more of their requirements from Alberta fields. Coupled with this increase in the cost per ton was the further detriment that the coal from these fields has a lower gas yield, and these two factors of price and yield operated to substantially raise the cost of gas manufacturing.

The amount provided for depreciation in 1945 is, as in former years, based on the allowances authorized by the Public Utilities Commission of British Columbia.

Water conditions showed substantial improvement, which allowed the operation of the Vancouver steam generating station to be curtailed and effected a saving by comparison with the exceptionally dry year of 1944.

The last element of operating cost requiring special reference is provision for taxes on income, which for the year 1945 is estimated at \$3,006,500. On the matter of acceptance of our tax returns by the taxation authorities, the same condition still exists as was described in last year's report, and the language of that reference is, therefore, paraphrased here. Continuing shortages of materials and of new equipment, coupled with maximum use of existing equipment, have caused the Companies, perforce, to transform their renewal programmes from the earlier pattern of infrequent but periodic replacement of important property units to a succession of "spot" repairs. On the accounting treatment of this unavoidable change of operating practice, as on all other matters of depreciation accounting, the broad policies

followed by the Companies have been directed and approved by the Public Utilities Commission. The Company's returns for taxes on income have not yet been reviewed by the taxation authorities for the years subsequent to 1939 and those of some important subsidiary companies have not yet been reviewed for the years subsequent to 1940. As the number of years awaiting review increases, the amounts involved in any exception the taxation authorities might take to our accounting treatments accumulate. Provision for taxes on income has been made by the Companies on the basis of the operating results as stated in the annual accounts and the reserves for taxes on income carried in the attached Consolidated Balance Sheet reflect this position.

PLANT ADDITIONS AND PROPERTY PROGRAMMES

The net additions to property account for the year totalled \$2,420,383. Of this total approximately \$970,000 was laid out to connect additional electrical customers, chiefly in rural areas. Construction of the new City substation was begun during the year and it is anticipated that initial load will be transferred to this station before the close of 1946. During the course of the year also, delivery was obtained of 15 P.C.C. cars, at a cost of \$477,125, which were placed in service in Vancouver, and of 5 feeder buses, 2 of which were placed in operation in Vancouver and 3 in Victoria. In common with other transit companies, our programmes for the installation of new rolling stock have been delayed by suppliers' labour troubles and material shortages; as an example, at the year-end, 30 buses, on order since 1944, remained undelivered. In the Interurban Stage service 19 Canadian Car-Brill intercity buses were delivered towards the close of 1945 out of an order of 22 of which the balance have been received since the year-end. This was the first delivery of post-war buses in Canada. The Stage service has

been considerably enlarged, and garage and storage facilities in Vancouver have been increased correspondingly. A contract was placed during the year for a carburetted water gas set for Victoria of a capacity of 1,200,000 cubic feet per day, which will permit the retirement of old and less efficient plant. Since the year-end, a similar plant has been ordered for Vancouver, of a capacity of 4,500,000 cubic feet per day. Both plants are to be available for operation by the peak periods of 1946.

It will be observed that the net additions to property for 1945, totalling \$2,420,383, somewhat exceed those of the previous year which amounted to \$2,076,092. This increase is some measure of the modest extent to which, before the close of 1945, we were able to obtain materials and equipment and put in hand the beginning of our 10-year development programme. Our budget for major projects forming part of this 10-year programme calls for expenditures of \$16,963,961 for the years 1946 and 1947, although the actual amount of expenditure will depend, amongst other things, upon the availability of materials and equipment.

Discussions are continuing with the municipalities concerned for modernized mass transportation for Vancouver and Greater Victoria. Similar plans are in hand for North Vancouver and Burnaby. Extension and improvement of the New Westminster transit system is now under discussion with the local authorities. For Vancouver the Companies' plan, which has been approved both by the Vancouver Town Planning Commission and the City, calls for the operation of street-cars, trolley coaches and motor buses. For Greater Vic-

toria the Companies' plan calls for the operation of trolley coaches and motor buses and the retirement of the existing street railway property; the whole programme is to be completed within two years. Demonstration runs of trolley coaches in Vancouver and Victoria were enthusiastically received. No attempt is made here to describe the point reached to date in the negotiation of these various proposals, since any comment made now might be of little significance by the time this report is read.

POWER SUPPLY

Peak load and energy output continued to increase in both the Mainland and Vancouver Island systems during 1945. In the large Lower Mainland system energy output increased 6.1 per cent over 1944, but the peak load increased by 11.5 per cent, in part because of the abandonment both of daylight time and staggered working hours.

The additional generating capacity for the long-term requirements of the Lower Mainland system are to be obtained from Bridge River. The preliminary engineering work and the preparation of plans and specifications for the first stages of this development are being performed by The Shawinigan Engineering Company, Limited, retained by us for the purpose. A description of the works, together with drawings covering the initial phases of this development, have been filed with the Public Utilities Commission and form the basis

of a request to the Commission for a Certificate of Public Convenience and Necessity. Active construction work is scheduled to begin in 1946, and the programme calls for delivery of energy into the Lower Mainland system in 1949. The negotiations with the Bonneville Power Administration, to which reference was made in last year's report, were completed in the autumn of 1945 and a contract signed which calls for the delivery of 22,000 kilowatts of firm power in the early autumn of 1946. This involves construction of a 230-kv transmission line into Vancouver, a distance of 69 miles. The portion of the line south of the international boundary will be constructed by the Bonneville Power Administration; the portion north of the boundary will be constructed by us. Orders for equipment for this line and for all major items of terminal equipment were placed in 1945.



1943
Back the Attack
Speed the Victory
\$ 713,798



1944
Put Victory First
Invest in Victory
\$ 979,789



1945
Invest in the Best
Sign Your Name for Victory
\$1,524,887

With each year the operating and office staffs have substantially bettered previous records for subscriptions to Victory Bonds and War Savings Certificates. This is the achievement for the last three years:

FINANCING

In anticipation of the requirements for construction funds of the operating companies British Columbia Power Corporation, Limited sold, as of July, 1945, an issue of 10 million dollars of its First Refunding and Collateral Trust Bonds, 4%, 1945 series, maturing in 1965. These bonds were offered to the public at par and the issue was over-subscribed on the day it was announced. The proceeds of the issue were invested temporarily, largely in Victory Loan Bonds which appear as "Construction Funds" on the Balance Sheet.

The Companies will require substantial amounts of new capital to finance construction programmes

which have been announced and are now actively being put in hand. If these large sums are to be obtained when needed, and at reasonable cost, the earnings must be maintained at adequate levels. The Companies' earnings during the war years have, through the operation of wartime taxation, been lower than these adequate levels. Within the framework of private enterprise under public regulation there is no conflict of interest, since jobs and better service, as well as dividends, are dependent upon fair and adequate return on the investment.

LITIGATION

During the year the Exchequer Court rendered its decision in the action by the Crown against the British Columbia Electric Railway Company, Limited, to recover tax (and interest thereon) which the Federal authorities claimed should have been withheld from dividends paid to non-resident holders of the 5% Cumulative Perpetual Preference Stock of that Company. The Court found that the Company was in the right. Subsequently

the Crown appealed to the Supreme Court of Canada and the decision of that Court, rendered in December, 1945, reversed the Exchequer Court. The Company is now seeking leave of the Privy Council to appeal to it. The attached Balance Sheet shows, as a contingent liability, the amount claimed by the Crown in the action, with interest to December 31, 1945.

1945



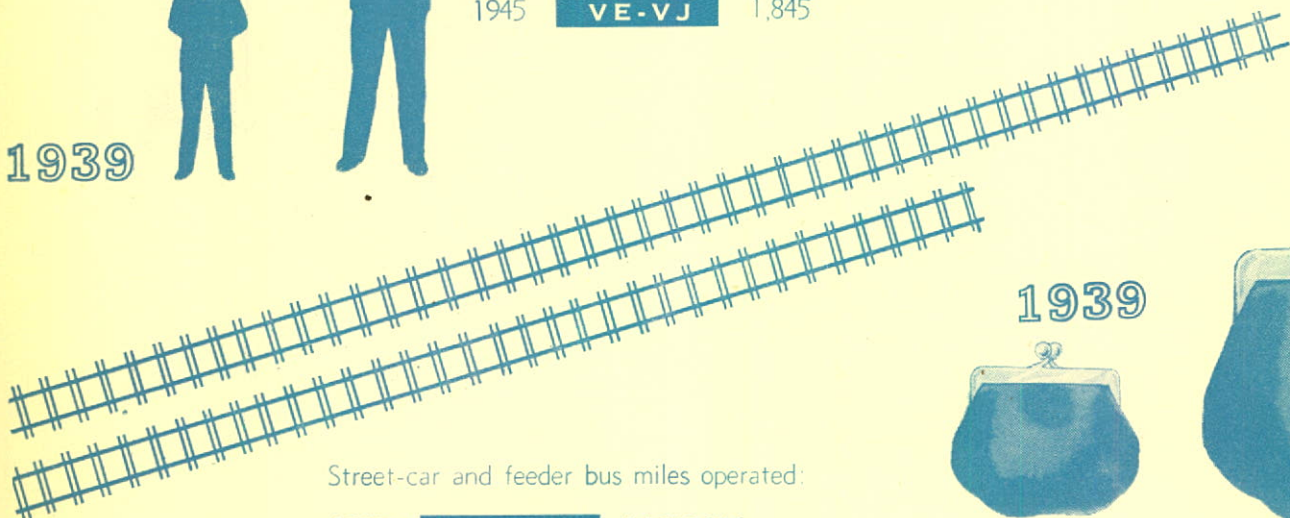
Number of street-car and feeder bus men employed:

1939 **PRE-WAR** 1,285

1945 **VE-VJ** 1,845

1945

1939



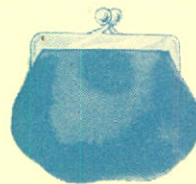
Street-car and feeder bus miles operated:

1939 **PRE-WAR** 16,848,226

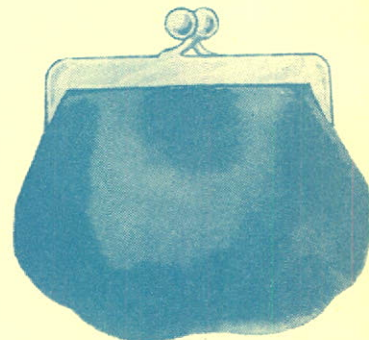
1945 **VE-VJ** 22,774,668

1939

1945



1939



Wages of street-car and feeder bus men:

1939 **PRE-WAR** \$1,891,699.29

1945 **VE-VJ** \$3,557,733.49

PERSONNEL

We record with regret the death during the year of Mr. E. E. Walker, who had been with this business for 31 years, for the last 8 of which he had been Light and Power Sales Manager. The resignation of Mr. A. T. Goward, Vice-President in charge of Vancouver Island operations, was regretfully accepted. Mr. Goward's association with the business goes back 55 years into the time of the predecessors of the B. C. Electric. Mr. Goward was succeeded by Mr. W. C. Mainwaring, formerly Vice-President in charge of General Sales. The year saw also the retirement of Mr. G. A. Dickie, Mechanical Superintendent, and of Mr. W. H. Cottrell, Traffic Superintendent, both of whom had been with the organization many years. Mr. J. H. McDonald, a member of the Board of Directors for two years, tendered his resignation for reasons of health.

It is not possible to name in this report all the faithful employees who retired on pension during the year but there were many, most of whom had deferred retirement during the war to keep up essential services at a time when their younger colleagues were in the armed forces.

It was noted in the last report that a job and salary evaluation for the office staff had been undertaken as agreed upon with the Head Office Employees' Association. This included a review of the equity of salary ranges for all office positions, both by standards of internal comparison and of comparison with community levels for like work. The Company's part of the task was completed and placed before the Regional War Labour Board December 11, 1945. No decision has yet been received from the Board, but all preliminary work for the application of the results of the evaluation has been undertaken in anticipation of a favorable decision.

During the year the consent of the Minister of

National Revenue was obtained to the Company's plan for paying, into the Pension Fund, contributions computed on the past years' salaries and wages of actual and potential pensioners. In 1945, contributions were made to the Fund on the same basis as in 1944, and the Fund, which is held by the Royal Trust Company as Trustee, amounted at December 31, 1945, to in excess of \$3,000,000. From the inception of the Pension Plan in 1927, 405 employees have been granted pensions, 81 of them in the year 1945. In the interval 88 pensioners have died, and 317 remain on the rolls.

Of the men and women of the Companies' personnel who enlisted with the armed forces in the war recently concluded, 322 had, up to the end of 1945, returned to positions with the Companies, and in addition we have been able to give permanent positions to 246 other returned men and women who had not formerly been employed by the Companies.

During the year the General Sales Division was transferred from the fifth floor of the Head Office Building at Carrall Street to the second and third floors of the Sales Building on Granville Street to space which was remodelled for this purpose. Thereupon work was begun to extend and renovate the fifth floor of the Head Office Building; this work has been completed, and the fifth floor is now occupied by the Gas and Transportation Divisions. The space formerly occupied by these divisions is now free and will be used to enlarge and improve the accommodation of other divisions the staffs of which during the war years have cheerfully put up with the unavoidable inadequacies of their working conditions.

The Directors desire to record their appreciation of the loyal and energetic manner in which all members of the organization have carried out their responsibilities during the year.

RELATIONS WITH CUSTOMERS AND WITH THE COMMUNITY

With return to peacetime pursuits of many men from the armed forces and war industries, whose work during the war had given them training in the use of electric equipment and the installation of electric circuits, there had been a rush to enter the electric appliance business. Our Dealer Development Department is giving to established dealers, as well as to those new in the field, ad-

visory service on store layout, window display, staff training, merchandise selection, and financing and credit practices. In line with the policy established some years ago, whereby we would cease actively to sell merchandise when dealers' efforts resulted in a satisfactory sales volume, we have recently discontinued the sale of small appliances and lamps and shades, and our merchandise activities for the

present will be confined to ranges, refrigerators, water heaters and fires, both electric and gas in each case, and electric water systems.

Our agricultural representatives have returned from active service and the work, therefore, of promoting the fuller use of electric equipment on farms in our areas is again being actively pursued.

An Industrial Development Department was formed in January, 1945, to foster industrial growth in the territory, and to assist in the conversion of wartime industries to peacetime production. To give momentum to this effort an advertising campaign, "Business is Moving to B. C.", was placed in outstanding magazines and newspapers in Eastern Canada, Eastern United States and England. The series of advertisements took in turn each basic industry of British Columbia, and pointed to opportunities for the development of secondary industries using the natural resources of the province. This campaign aroused great interest in British Columbia and in all areas reached by the media in which it was carried. Up to the end of 1945, 594 inquiries had been received as a result. We do not claim that this campaign has

been the sole or even dominant cause of subsequent happenings, but it has certainly been a contributing factor in conducing to the economic well-being of our areas in which commercial and industrial consumers are now discussing with us their new or extended plans which envisage annual additional production of \$12,060,000 and annual additional payrolls of \$3,440,000.

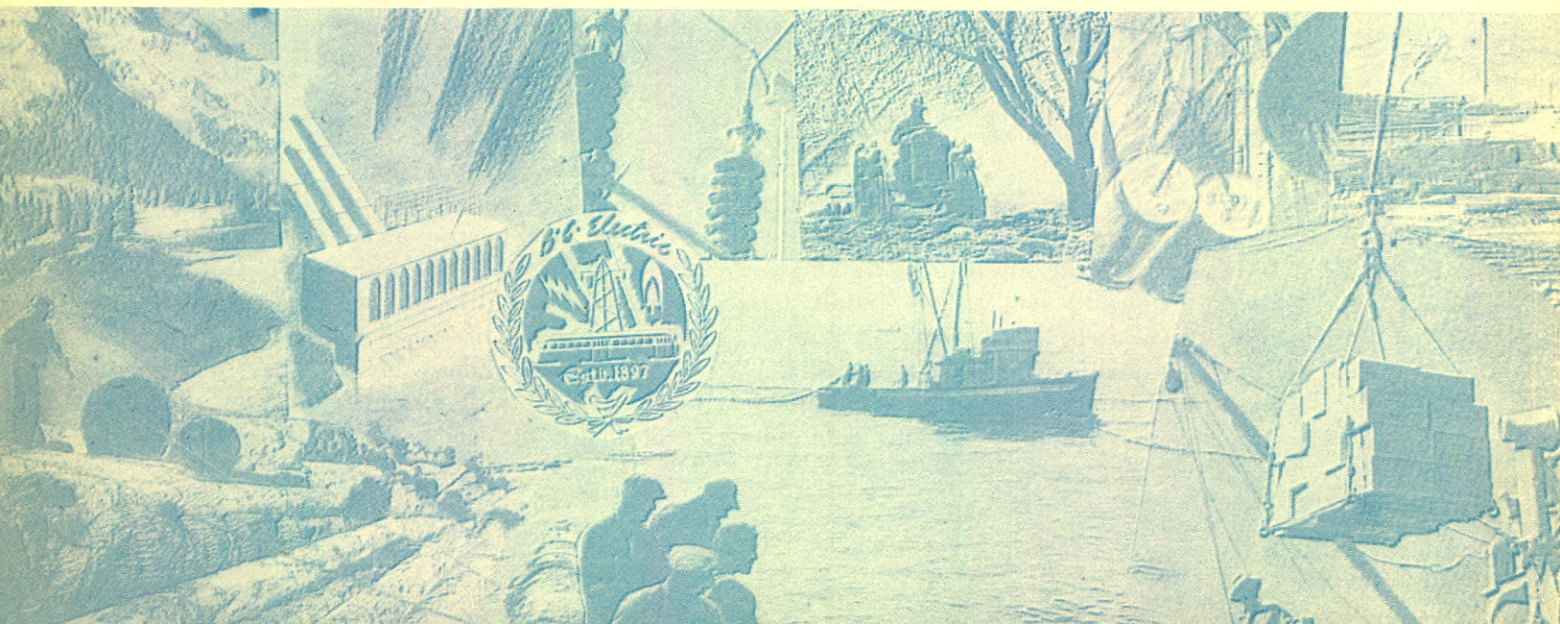
The war has been fought and won and we enter a time when a new equilibrium is being worked out. Just as they welcomed the obligations and hard work of wartime the Companies welcome the obligations and hard work of peacetime. Wartime scarcities of material and equipment still persist; these are factors over which we have no control, and they delay the rate at which we can improve the services. Despite these difficulties the Companies already have under way a very substantial programme, as is evidenced by the fact that we have been able to give employment to a considerably larger number of returned men than enlisted from our staff. The Companies look forward to providing more service and better service and to living up in every particular to their duty as good citizens.

Vancouver, B. C.

March 21, 1946.



President.



BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

*Consolidated Statement of Income and Earned Surplus
for the year ending December 31, 1945*

Gross Revenue from Operations.....		\$ 26,792,376.67
Deduct—		
Expenses:		
Operation and Maintenance, including Property Taxes.....	\$ 15,462,782.52	
Legal Fees and Executive Remuneration.....	173,158.22	
Directors' Fees	22,150.00	
Provision for Accidents.....	180,000.00	
Provision for Employees' Pensions.....	1,417,191.45	
Provision for Depreciation and Renewals.....	2,906,359.89	
Provision for Taxes on Income (including \$286,000.00 representing estimated recoverable proportion of excess profits tax for the year).....	2,956,500.00	
		23,118,142.08
Operating Income		\$ 3,674,234.59
Add—		
Income from Investments	\$ 171,244.74	
Profit on Sale of Investments.....	2,775.00	
		174,019.74
		\$ 3,848,254.33
Deduct—		
Interest on Bond Debt.....	\$ 1,622,904.64	
Bond Refunding Expenses written off.....	78,739.78	
		1,701,644.42
Net Income for the Year.....		\$ 2,146,609.91
Deduct—		
Dividends on Preference Stock of Subsidiaries:		
5% Cumulative Perpetual Preference Stock—£72,000.0.0. at \$4.46	\$ 321,120.00	
6% Cumulative Preference Shares.....	300,000.00	
		621,120.00
Balance of Profits		\$ 1,525,489.91
Add—		
Earned Surplus as at January 1, 1945.....		1,038,318.74
		\$ 2,563,808.65
Deduct—		
Dividends on Class "A" Shares of Parent Company.....		1,600,000.00
Earned Surplus as at December 31, 1945.....		\$ 963,808.65

BRITISH COLUMBIA POWER

AND SUBSID

Consolidated Balance Sheet

ASSETS

CURRENT AND WORKING ASSETS:

Cash on hand and in banks.....	\$ 373,316.77	
Dominion of Canada bonds at cost.....	1,500,000.00	
(Quoted market value—\$1,522,500.00)		
Accounts receivable, less reserve	2,033,342.41	
Inventories of stores, materials and supplies, determined as to quantities by book inventories confirmed annually by physical count or measurement, valued at average cost.....	2,323,017.43	
		\$ 6,229,676.61

DEFERRED ACCOUNTS RECEIVABLE:

Estimated recoverable proportion of excess profits tax (per contra).....	\$ 1,276,000.00	
Receivable under property sales agreement.....	600,000.00	
(Dominion of Canada bonds of \$100,000 par value are held as security for completion of agreement).		
		1,876,000.00

BONDS AND CASH IN HANDS OF TRUSTEES:

For employees' pension fund (per contra).....	\$ 3,097,818.56	
(Represented as to \$2,710,520.62 by Dominion of Canada bonds and as to \$387,297.94 by other securities and cash).		
For sinking fund re 4¼% bonds.....	41,871.53	
		3,139,690.09

INVESTMENTS:

Corporation's shares held by subsidiaries.....	666,539.77	
(Quoted market value \$496,385.50)		

BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed, bond conversion expenses and discounts less amounts written off.....	1,304,952.18	
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DEFERRED CHARGES:

Insurance unexpired, deferred regulatory commission expenses, and other prepaid items	156,039.56	
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CONSTRUCTION FUNDS:

Dominion of Canada bonds held to finance capital expenditures, at cost....	9,593,750.00	
(Quoted market value—\$9,670,625.00)		

PROPERTY ACCOUNT:

Book values which represent the cost of acquisition, and the cost of subsequent additions, including discount on bonds of \$728,670.56 which is charged to construction accounts of subsidiaries.....	\$ 153,361,793.83	
Less—Provision for depreciation and renewals.....	40,340,691.66	
		113,021,102.17

NOTE: An appraisal of the properties of British Columbia Power Corporation Limited and its subsidiaries, made by Stone & Webster Engineering Corporation of Boston, Massachusetts, as of December 31, 1936, shows a total replacement cost as at that date (after a deduction for existing physical depreciation) of \$131,802,312. This foregoing total includes an amount of \$15,000,000 for going concern value.

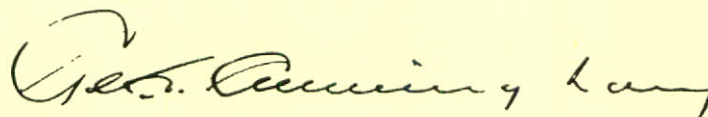
The balance in the property account as at December 31, 1936, after deducting the reserve for depreciation, was \$113,739,799.32.

\$ 135,987,750.38

APPROVED ON BEHALF OF THE BOARD:



Director.



Director.

CORPORATION, LIMITED

ARY COMPANIES

as at December 31, 1945

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:

Accounts payable	\$ 2,800,503.84	
Debenture and bond interest accrued	680,507.05	
Dividends declared, since paid	635,200.00	
Bank loan for purchase of Dominion of Canada bonds for employees	\$491,715.49	
Less—Employees' subscriptions unpaid	475,185.89	
		16,529.60
Reserve for taxes on income and other taxes (after a payment of \$1,322,992.00 on 1945 taxes)	2,226,158.35	
		\$ 6,358,898.84
BOND DEBT (as per statement attached)		45,847,624.50

CAPITAL STOCKS OF SUBSIDIARIES HELD BY PUBLIC:

British Columbia Electric Railway Company, Limited—		
5% Cumulative Perpetual Preference Stock, £1,440,000.0.0. at \$4.85	\$ 6,984,000.00	
British Columbia Electric Power & Gas Company Limited—		
6% Cumulative Preference Shares	5,000,000.00	
The company has the right to redeem these 6% Preference Shares with a premium of 5% subject to the sanction of the Supreme Court of British Columbia.		
Minority shareholders of subsidiaries	3,446.25	
		11,987,446.25

RESERVES:

General, contingent and accident	\$ 1,090,388.99	
Employees' pension fund (per contra)	3,097,818.56	
		4,188,207.55

CAPITAL:

Authorized—

1,500,000 Class "A" Shares without nominal or par value entitled in each fiscal year to non-cumulative preferential dividends aggregating \$2.00 per share and equal participation with Class "B" Shares up to a further \$3.00 per share, redeemable at any time on resolution of Directors at \$100.00 per share.

1,500,000 Class "B" Shares without nominal or par value.

Issued—

1,000,000 Class "A" Shares and 1,000,000 Class "B" Shares issued for a total cash consideration of

\$ 59,250,000.00

CAPITAL SURPLUS:

Surpluses of subsidiaries as at May 19, 1928, the date of the acquisition of their capital stocks by the Corporation

6,115,764.59

DEFERRED SURPLUS:

Estimated recoverable proportion of excess profits tax (per contra)

1,276,000.00

EARNED SURPLUS (as per statement attached)

963,808.65

67,605,573.24

CONTINGENT LIABILITY:

In connection with an action by the Crown against British Columbia Electric Railway Company, Limited, as referred to in the Directors' Annual Report herewith

\$ 420,676.07

\$ 135,987,750.38

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the consolidated balance sheet of British Columbia Power Corporation, Limited and subsidiary companies as at December 31, 1945, and the consolidated statement of income and earned surplus for the year ended on that date, and have obtained all the information and explanations which we have required. In connection therewith we examined or tested accounting records and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The corporation's returns for income and excess profits taxes have been assessed up to and including the year 1939 and those of its important subsidiary companies up to and including the year 1940. The returns for the subsequent years have not yet been reviewed by the taxation authorities and, as indicated in the accompanying report of the Directors, the adequacy of the year's provision and that of the tax reserve included as a liability in the above consolidated balance sheet are subject to acceptance by the taxation authorities of the companies' returns and of the accounting policies on which they are based.

Subject to the remarks in the foregoing paragraph we report that, in our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the above consolidated balance sheet and related consolidated statement of income and earned surplus are properly drawn up so as to exhibit a true and correct view of the financial position of the combined companies as at December 31, 1945, and the results of the companies' operations for the year ended on that date.

VANCOUVER, B. C.,
March 18, 1946.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BRITISH COLUMBIA POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Statement of Bond Debt as at December 31, 1945

BRITISH COLUMBIA POWER CORPORATION, LIMITED:

First Refunding and Collateral Trust Bonds—

4 $\frac{1}{4}$ %, maturing March 1, 1960:

Series "A" - Issued \$ 10,800,000.00

1939 Series - Issued \$4,500,000.00

Less—

Redeemed 250,000.00

4,250,000.00

\$ 15,050,000.00

4% maturing July 1, 1965:

1945 Series - Issued 10,000,000.00

\$25,050,000.00

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED:

4 $\frac{1}{4}$ % Perpetual Consolidated Debenture Stock—

Issued £2,788,170.0.0

@ \$4.85 13,522,624.50

VANCOUVER POWER COMPANY, LIMITED:

4 $\frac{1}{4}$ % Perpetual Guaranteed Debenture Stock—

Issued £1,500,000.0.0

@ \$4.85 7,275,000.00

As per Consolidated Balance Sheet.....

\$ 45,847,624.50



21,000 copies of this report have been circulated to shareholders, to employees and those on pension, to mayors, reeves, councilors and members of the legislature, to union executives and service club officials, and to the spokesmen of all segments of the population of the community.

